FOOD DEVELOPMENT CENTRE

Growing Opportunities in Food

ANNUAL REPORT

2005/2006

A Special Operating Agency of Manitoba Agriculture, Food and Rural Initiatives

Manitoba

2007-01561/

Minister of Agriculture, Food
and Rural Initiatives

His Honour
The Honourable John Harvard
Lieutenant Governor of Manitoba
235 Legislative Building
Winnipeg, MB R3C 0V8

Your Honour

As Minister Responsible, I have the privilege of presenting, for the information of Your Honour, the Annual Report of the Food Development Centre for the fiscal year ended March 31, 2006.

Sincerely,

Rosann Wowchuk
Minister

Manitoba

Deputy Minister of
Agriculture, Food and Rural Initiatives

Room 165
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8
(204) 945-3794

Honourable Rosann Wowchuk
Minister of Agriculture, Food and Rural Initiatives
165 Legislative Building
Winnipeg, MB R3C 0V8

Dear Minister:

I have the privilege of presenting to you the Annual Report of the Food Development Centre (FDC) covering the year ended March 31, 2006.

The following achievements are indicative of FDC's success and illustrate its role in innovation and economic development:

- the development of 64 new food products;
- the creation or expansion of 12 Manitoba food processing companies;
- the nutritional analysis of 271 products;
- fee-for-service revenues of $368,000;
- a projected contribution of $1.52 million to the gross domestic product of Manitoba over the next five years; and
- a projected contribution of $141,514 in provincial taxes over the next five years.

The 2005/2006 year commenced with the grand opening of the expanded and renovated FDC pilot plant, which will provide increased capacity and scope to support the continued growth of Manitoba's food processing industry. In 2006/2007, FDC will continue its focus on providing an effective and flexible facility to support its clients.

Sincerely,

Barry Todd
Deputy Minister and
Chief Executive Officer

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In 2005/2006
the activities of the Food Development Centre resulted in

the creation of **14** new employment opportunities,

the development of **64** new food products,

the expansion of **12** Manitoba food processing companies,

in-plant troubleshooting for **1** Manitoba food processing company,

the nutritional analysis of **271** products,

fee-for-service revenues of **$368,000**,

as well as a contribution of **$1,525,398** to the GDP of Manitoba

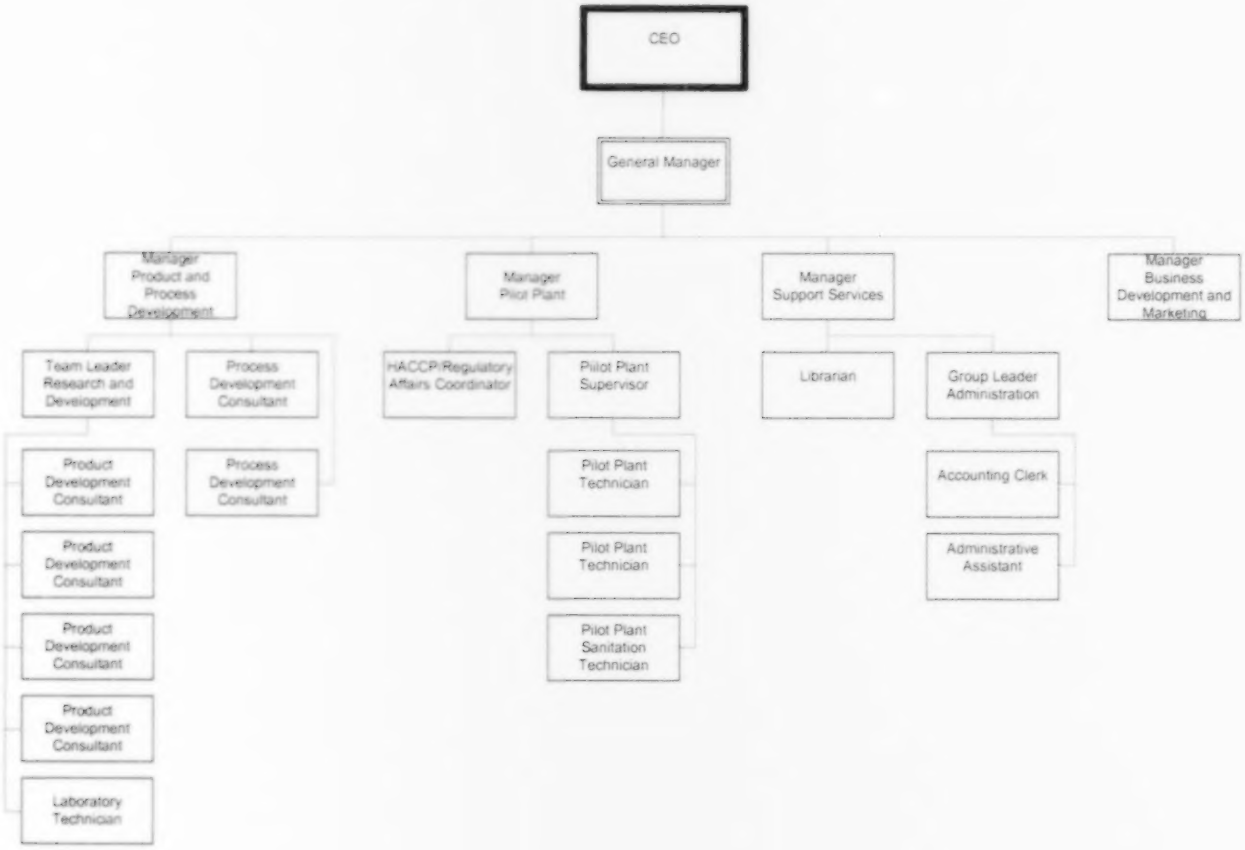
and **$141,514** in provincial taxes

over the next **5** years.

FDC leads Manitoba in Homegrown Innovation

FDC ORGANIZATIONAL CHART

Food Development Centre
Organizational Chart
2006/2007



Our Vision

Increased employment and wealth through enhanced development of Manitoba as a global source of high quality food products.

Our Mission

The Food Development Centre provides leadership in the creation, expansion and diversification of the agri-food industry through its industry networks and its expertise in food processing.

Our Goals

- To provide up-to-date, unbiased technical information to the agri-food industry, with emphasis on leading-edge technologies in product and process development
- To provide technical and federally accredited pilot plant services for the production of safe, high quality and wholesome food products
- To provide Manitoba with a unique liquid food packaging facility through a partnership with Great Plains Aseptic Processors
- To provide education and training to industry through technical seminars and workshops
- To create awareness of value-added processing of agri-food commodities and promote the capabilities of the Food Development Centre
- To promote the creation of a seamless agri-food development process within Manitoba Agriculture, Food and Rural Initiatives, from idea conceptualization to product marketing
- To ensure co-ordination and effective use of resources across the agri-food sector by liaising with industry, academia and government
- To participate in co-operative projects that will influence the production of primary products that may be processed within Manitoba

I. FDC'S SUPPORT BRINGS INDUSTRY SUCCESS

1.1 Major Research Project on Utilization of Ethanol Co-products

FDC received $89,100 in funding for its project "Wheat-Based Ethanol Processing Co-products Utilization" from the Strategic Agriculture Research and Development (SARD) Program of the transition element under the Implementation Agreement between Canada and Manitoba of the Agricultural Policy Framework (APF). This and the MRAC funding of $74,800 brings the total external funding to $163,900. In addition, Husky Oil Marketing Company provided in-kind support valued at $35,400.

The first phase of this two phased project saw the completion of the following project objectives:

- FDC will conduct the development of food products, such as bakery products, using the co-products of ethanol production, such as DDG as a major ingredient. FDC will formulate two prototype food products, including one cookie and one muffin, and complete the associated applicable nutritional and sensory analyses.

- FDC will submit a final report containing details of literature review and research experiment results regarding the production and applications in food of co-products from wheat-based ethanol production and resulting recommendations to the APF Management Implementation Committee.

1.2 First Meat Project Under CFIA Registration

FDC received its CFIA registration for meat in April 2005, and was immediately able to start a project on processing elk meat jerky for a Manitoba company. This company approached FDC with a request for the development of a commercial formulation and process for elk jerky using frozen elk trimmings and the frozen outside round cut from elk. The company presented a jerky product, "Tillamook Country Brand Old-Fashioned Smoked Beef Steak Nuggets" of the USA, and requested that FDC reproduce a similar product using elk meat. The quality attributes that appealed to the company included tenderness and smoke flavour of the jerky. Since then, FDC has submitted a proposal to another Manitoba company for the development of chicken fingers and nuggets.

1.3 Partnering with University of Manitoba on Product Development Project

FDC and the University of Manitoba, Department of Human Nutritional Sciences (DHNS), jointly submitted a product development proposal to the Agri-Food Research and Development Initiative (ARDI) to conduct a research study on foods for aging (50 years and older) consumers. This is a unique collaboration that utilizes the skills of both basic and applied research for commercialization of

functional food products for growing consumer demands in rural and urban Manitoba communities.

The purpose of this project is to develop foods using Manitoba grown crops that provide added health benefits and nutrients to adults 50 years of age and older residing in rural and urban communities. This project will utilize Manitoba grown crops and work within the Manitoba research infrastructure and cluster to develop and commercialize food products for this growing consumer market. A collaborative approach will be taken using expertise from the DHNS, FDC, the Richardson Centre for Functional Foods and Nutraceuticals (RCFFN), and the Canadian Centre for Agri-Food Research in Health and Medicine (CCARM).

1.4 Consumer Study for an Alberta Company

An Alberta company requested the assistance of FDC to conduct consumer acceptance (consumer preference and acceptability) testing of their new line of low glycemic nutrition bars targeted at children. The objective of the study was to assess consumer preference and acceptability of four varieties of low glycemic children's bars based on the following sensory attributes – appearance, flavour (taste), texture (chewiness) and overall acceptability – to determine the two most preferred flavors of children's bars and to assess what is most liked and disliked about the bars.

The study was conducted in collaboration with DHNS. The participants of the study were children aged 8 to 12 years old selected mostly from the Winnipeg area. The venue for the study was the Children's Museum at the Forks in Winnipeg.

1.5 Industry Workshop in Northern Manitoba

FDC partnered with the Northern Forest Diversification Centre (NFDC) to organize a steam distillation workshop (August 2-4, 2005) for essential oil in The Pas. The workshop took place at the NFDC compound using a mobile steam distillation unit rented from the Alberta Natural Health Agricultural Network (ANHAN). The unit came complete with an experienced trainer.

The purpose of the event was to provide participants with a hands-on demonstration of the process to take selected wild products and extract essential oils and hydrosols. The workshop was used to further create awareness of the opportunities for high value non-timber forest products.

The participants included people from Bakers Narrows, Lynn Lake, Boggy Creek, Barrows, Powel, The Pas and Portage la Prairie. Over the three day period, four wild plants (black spruce branches, Labrador tea stem and leaf, dwarf juniper branches, and sweet gale stem and leaf) were processed. The trainer demonstrated good record keeping for recovery rates, the disinfecting process, the recovery method for the oils, and the operation and the cleaning of the distillation unit. The workshop allowed for good discussions to take place on how to promote the

industry and create good economic opportunities to companies and individuals in the North.

1.6 Value-Added Program for the Bison Industry

The bison meat industry in Manitoba is growing rapidly. Currently, primal and sub-primal cuts are exported to the European Union (EU) and as the bison industry continues to grow, more of the premium cuts will be used leaving behind secondary cuts with potential for value-added development. The amount of trim cuts generated corresponds to more than 35% of the animal carcass cold weight. Additional value should be incorporated to these trims by developing other processed meat products. FDC is willing to collaborate with the bison industry in Manitoba to achieve this goal.

Although the production of sausages and processed meat products using bison meat is not well documented in the literature, FDC has the technical support, equipment and initiative required to lead the development of value-added bison meat products. Some of the products that could currently be developed at FDC include:

- Fresh sausages
- Cooked meat products
- Hams
- Marinated meat
- Jerky
- Uncooked, comminuted and reformed meat products such as burgers/patties that FDC has made with the MAFRI Bison Industry Specialist to discuss approach and strategies to promote value-added processing to the industry

1.7 Hemp Beverage Development in Collaboration with GPAP

Fresh Hemp Foods Limited (FHF) is a leading Manitoba-based company that processes, packages and markets food products made from high quality hemp seeds. FHF is a long time client of FDC, working with the Centre to develop its hemp products and business. Its product line includes hemp oil, nut, butter, capsules and protein. FHF markets its products in Canada and in the United States, and aggressively seeks new opportunities to develop and market new products.

The partnership of FDC with GPAP has created a unique opportunity for companies to develop liquid foods, including beverages from research through pilot scale to full commercialization. The opening of the GPAP facility provides a timely opportunity, combined with market demands for functional beverages, for Fresh Hemp Foods to undertake hemp beverage development project.

The hemp beverage will be developed based on whole hemp seeds. Three flavors including original, vanilla and chocolate will be developed. The commercial scale-up of the hemp base and beverages will be carried out in collaboration with GPAP using Tetra Pak aseptic processing and packaging technology. Prototypes of the beverages in aseptic packages will be produced for the shelf life study.

This project is the first collaborative project between FDC and GPAP to develop a product from research to full commercialization.

1.8 Value-Added Oat Products

Can-Oat Milling Products Inc. (Can-Oat) is a Manitoba company specializing in the processing of raw oats into both intermediate and finished food products. The product line includes a full range of products, including old fashioned flakes, quick cooking oats, baby oat flakes, oat bran, oat flour, whole oat groats and steel cut oat groats.

Can-Oat's objective was to take advantage of recommendations from the Dietary Guidelines for Americans (2005) to increase the level of whole grains and fibre in the diet and to showcase their oat ingredients in snack crackers. Can-Oat would like a third party to formulate and produce prototypes of whole grain and oat snack crackers. The results of the project (i.e. laboratory prototype products and their physical, sensory and nutritional attributes) would provide Can-Oat's sales and marketing team with necessary technical data/samples to showcase to customers the opportunities and benefits of utilizing oat ingredients in whole grain snack crackers.

1.9 Strong Interest on Development of Functional Foods

Manitoba companies continue to take advantage of the functional food trend by seeking to develop beverages to meet the demands. FDC is currently working with two Manitoba companies on hemp and honey beverages. A company from Whitehorse, Yukon is also working with FDC to develop various flavours of energy beverages. These types of projects will help in strengthening FDC's capabilities in liquid foods.

The demand for functional bars is also being noticed by FDC consultants. FDC is currently working on the development of energy bars that use Manitoba ingredients such as pea fibre, hemp, flax, oat, etc. The demand for functional bars supports the acquisition of the small scale bar making equipment that is being built by Sperling Industries of Manitoba.

The functional food program strategic project is also generating some new ingredients products. Some Manitoba companies have expressed interest in the products and samples have been prepared for their review.

1.10 Project Under Canadian Dairy Commission Agreement

Khoa is a traditional Indian milk product produced by heat coagulation and partial dehydration of milk that is used as a base ingredient for the production of sweets. There are three types of Khoa; they vary based on their solids content and sensory properties. Pindi has a smooth, homogenous body and texture and is used to make burfi and peda. Danedar has a granular texture and uneven body and is suitable for making Kalakand, cakes and pastries. Dhap has a loose, sticky, smooth texture and is used to make gulabjamun (Patil, 1992; Anon, 1990). The desired flavour

attributes for Khoa include sweetness due to the high lactose content and a nutty cooked flavour that is developed during heat processing.

Volga Enterprises (Dada Foods) Ltd. approached FDC to conduct a preliminary study on using dehydrated milk ingredients for production of Khoa. This work was supported financially by the Canadian Dairy Commission (CDC) under the Direct Access Fund Agreement between CDC and FDC to promote the use of dairy ingredients.

1.11 Manitoba Company Assisted to Obtain Novel Pea Fibre Approval

Best Cooking Pulses, Inc. (BCP) is a Canadian family-owned agri-food business that has been active in the international pulse trade since 1936. They currently have two manufacturing facilities. In Rowatt, Saskatchewan they clean, de-hull, split and polish peas for domestic and international markets. In Portage la Prairie, Manitoba they crush and grind peas, pea hulls and other pulses to produce a variety of fibre, bran and flour.

FDC conducted product formulation trials with the pea fibre to develop meat and bakery products. As a result of the research, FDC prepared a submission document on behalf of Best Cooking Pulses Inc. of Portage la Prairie to Health Canada requesting approval for novel fibre status for ground pea hulls manufactured in their facility for use in bakery and meat products. Currently, approval for use of ground pea hulls in bakery products is applicable and specific to Centara III Dietary Fibre (un-bleached ground pea hulls) produced by Parrheim Foods, a division of Parrish and Heimbecker, Limited of Portage la Prairie, MB.

On April 4, 2006, Health Canada approved the novel fibre status for BCP ground pea hulls. On April 25, 2006, BCP sent out the following news release:

"Best Cooking Pulses, Inc. is pleased to announce that Health Canada has approved Best Pea Fibre for sale into the Canadian market:

> *"On the basis of available information, we have no objection to the BCP ground pea hulls (pea fibre) as a dietary fibre for use in bakery and meat applications."*

Best Pea Fibre is a human-grade, absorptive vegetable fibre made from non genetically-modified yellow pea hulls that are crushed and ground. It is free from gluten, lactose and cholesterol, and is kosher and halal certified. It is produced without the use of any chemicals, and requires no allergen warning label……"

II. FDC Grand Opening

On April 21, 2005, the Food Development Centre in Portage la Prairie unveiled the results of its $13.6 million multi-government funding approval with the grand

opening of its brand new 18,800-square foot facility. The doors to the state-of-the art facility were opened in style with a special event attended by more than 400 industry, government and research delegates.

The grand opening ceremonies began with speeches by Rosann Wowchuk, the Minister of Manitoba Agriculture, Food and Rural Initiatives (MAFRI), and by other local government and industry representatives. Display booths of client companies and other organizations formed a pleasant mingling and exhibit environment for guests to sample client products manufactured with the assistance of FDC and to learn about the agri-food industry and services in Manitoba.

The Honourable Rosann Wowchuk and John McAllister, President of GPAP, christening the ship at the Grand Opening on April 21, 2005

Tours of the new pilot plant ensued throughout the afternoon with groups of ten to twelve guests at a time. The guided tours proceeded through the processing suites for bakery products, vegetables and fruits and meat products, and delegates observed demonstrations of applications for the new technology. Tours included a visit to the accompanying processing suite for the FDC in-house partner, Great Plains Aseptic Processors (GPAP). GPAP uses Tetra Pak technology and materials for contract aseptic processing and packaging of liquid food products.

The new FDC pilot plant is federally licensed for meat products and processed products, including honey packing. It is also certified for organic processing under the Canadian, American and European organic standards.

Clients of FDC are as charged with enthusiasm for the opening of the pilot plant as FDC staff and industry allies are. The expansion has been accompanied by a major

capital acquisitions project involving the purchase of sophisticated new technology. New supercritical fluid extraction equipment and a spray dryer, for example, allows clients to explore new products or processes in the FDC pilot plant. The federal accreditation of the pilot plant translates into expanded market opportunities for clients who process products at FDC. Products manufactured in federally licensed facilities are eligible for export to other provinces and countries, and FDC clients are welcoming the access to marketplaces newly open to them.

FDC specializes in contract research and development projects for agri-food products. Other services of FDC include product and process development, commercial scale-up, leasing of the pilot plant, assistance with identifying market opportunities, nutritional labelling, HACCP services and library services. FDC is a special operating agency of MAFRI and works closely with the department to provide Manitobans with seamless access to services for the expansion and sustainability of the agri-food industry and rural communities in the province.

FDC thanks everyone who attended the grand opening for helping to make the event a successful and auspicious beginning of a new chapter for the Centre.

III. FDC Project Activities and Highlights

III.1 German TV Production

In 2004, FDC initiated contact with Heiko Janssen of Richard Janssen Gmb/H (Janssen), a German wholesale company of food and food ingredients. Janssen has had extreme success importing products such as walnuts and cranberries into the German markets. This contact led to a number of meetings and a visit by Janssen to Manitoba to the international saskatoon event held in Petersfield in July 2004. Janssen has since purchased saskatoons from Prairie Lane Saskatoons. He has also visited FDC and was very impressed by its capabilities. Due to the continued relationship with Mr. Janssen, plans were set in motion for a German TV production crew to travel to Manitoba. Heiko Janssen arrived in Winnipeg on June 30 to review the itinerary details and to assist in the preparations of the visit.

On July 3, the German TV production crew under the direction of Mr. Ralf Bos arrived at the Winnipeg Airport. From there, they were transported to the Overby Bison Ranch to tour the facility and to meet with the president and other members of the Manitoba Bison Association. On July 4, the crew departed on a charter flight to The Pas. They were met there by the president and representatives of the Manitoba Wild Rice Association. A mock harvest at a remote lake followed. A visit to the Northern Forest Diversification Centre also took place and included greetings by RCMP dressed in red surge.

In the early morning of July 5, FDC was visited to showcase Manitoba's processing capabilities. Later in the morning, an apiary demonstration took place at BeeMaid

Honey. In the afternoon, Prairie Lane Saskatoons was visited and included Aboriginals presenting traditional ways of using saskatoons.

Early in the morning on July 6, the Forks was visited to further display Manitoba's diverse range of high quality food products. From there, the TV production crew had the privilege to be introduced to Premier Doer at the Legislature. The Premier and the Minister presented a warm welcome towards the film crew and trade mission, which will go a long way in cementing a solid and long term business relationship.

Markus Schmülgen, Heiko Janssen, Honourable Rosann Wowchuk, Ralf Bos

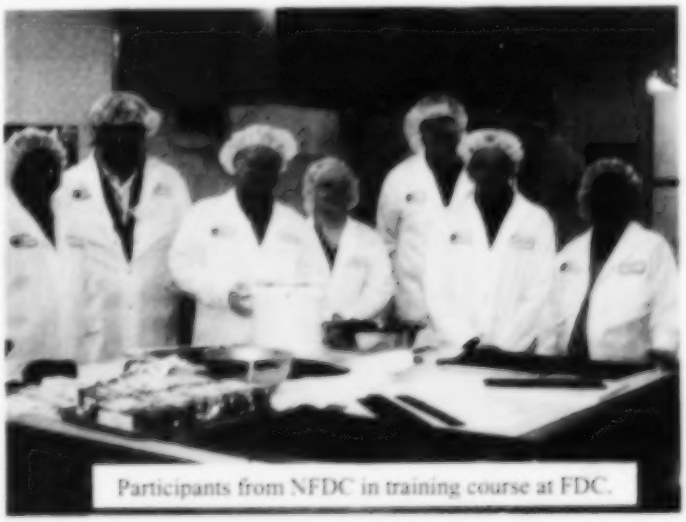
Outcomes from the Mission:

- The Premier and Minister of MAFRI will be featured on one of Germany's most popular shows.
- Manitoba is featured in a very positive light, both for food products and a beautiful place to live.
- Heiko Janssen is increasing his purchases of saskatoon berries.
- Ralf Bos is purchasing multiple products from Manitoba.
- Manitoba Bison Association will continue discussions to supply Germany with bison meat.
- Manitoba Wild Rice Association will continue sales discussions.
- BeeMaid Honey is confident its sales will increase in Germany after the program airs.
- Northern Forest Diversification Centre has found an outlet for its products.
- Prairie Lane Saskatoons has increased its sales (both quantity and variety) of product sale to Germany.

III.2 Training Course on the Development of Lingonberry Fruit Leather

FDC has been working with the Northern Forest Diversification Centre (NFDC) to develop value-added products from wild Northern fruits. A key part of the project is the ability to transfer the knowledge and technology to the Northern communities for establishment of the processing facility. After the development of an acceptable product, a training session was planned to take place at the FDC pilot plant and labs.

FDC conducted lingonberry fruit leather production for the staff of NFDC and members of the Northern communities. The participants were pleased with the hands-on approach for the course and were able to learn the different steps involved in the processing of fruit leather.



Participants from NFDC in training course at FDC.

They were able to package the products and took back samples with them for evaluation. They plan to set up a small processing plant to be able to produce this and other similar products in order to improve the economic activities in the Northern region. The successful utilization of lingonberries would expand NFDC's markets and further strengthen the economic activities of the region. This project was funded in part by the Manitoba Rural Adaptation Council (MRAC).

FDC is currently developing a lingonberry beverage for NFDC which is also funded in part by MRAC.

III.3 Jalisco Delegation

Lic. Alvaro Garcia Chavez, Secretary of Agriculture and Rural Development, Lic. Jose Ramon Robledo Gomez, Secretary of Economic Development and Mr. Francisco Medina, Director of Science and Technology Council of Jalisco visited FDC as part of their trip to Manitoba. A presentation of activities included an introduction to FDC's role in the agri-food industry, key services, capabilities and typical products/projects, business/project development process, financial assistance programs available to clients in the province, technology platform and applications, brief overview of the last FDC mission to Mexico, and activities and make-up of FDC management and staff.

GPAP used the tour of the facility to present its operations and services. The arrangement with GPAP was seen as quite unique and enviable, particularly with respect to being able to have the development support from small scale to large commercial production.

Opportunities for collaboration were discussed on ways FDC could work with the State of Jalisco to help companies in developing products and be as successful as Manitoba companies. The discussion included:

- Working through the food development scientists/marketing personnel in Jalisco to share information on product development process.

- Sharing information on how to provide after development support.

- Availability of financial programs to assist farmers, producer groups and industry undertake research and development of value-added products.

- Seminars/workshops on food processing targeted to available commodities. Video conferencing was mentioned as a means to carry out some of the seminar activities.

- Exchange of personnel for business/project development process. There were no specific discussions on how this could be done.

- The Secretaries talked about developing a Memorandum of Understanding (MOU) as a basis to work together. It was also noted that the MOU could be further strengthened if it could be accompanied with specific project(s) and directed to specific research organizations. Secretary Alvaro Garcia Chavez saw this as being an approach he would also prefer, with the following points noted:

    - The MOU could be made with any (or all) of the research centres in Jalisco; CIATEJ, ITA, CIAJ-Integra. They would provide lead contacts as most of the key people introduced on our mission to Mexico are no longer with the organizations. It was made known that the project to build a food technology centre (ITA), which we reviewed on our visit, was put on hold due to budget cutbacks.

    - There was a strong interest to use the development of food, functional food and nutraceutical applications of Tequila sweetener (a new product developed at ITA) as a project to start with. The sweetener came up as a result of the discussion on FDC's mission to Mexico. Secretary Alvaro Garcia Chavez promised to personally follow-up on this. For a start, he plans to send a sample of the product along with a proposal to develop two specific products. He also thinks that the proposal might include sending a scientist to work with FDC in developing the products. They are planning

to build a factory to manufacture the Tequila sweetener; hence the immediate need to find applications for the products.

- FDC will follow-up on the strong interest to develop a project on the applications of Tequila sweetener.

III.4 Pilot Plant Activities

- Many clients have utilized our facilities over the past year, including Holts Biscuits, TS Foods, Greetalia, Fresh Hemp Foods, McElroy Seed Farms, Prairie Lane Saskatoons, Calypso, McGarva, Gunn's Bakery, So Healthy, Bells Berry Inc., This represents 25 people working and involved in the production of Manitoba valued-added products.

- Meetings with clients occurred to discuss improvements that can be made in the production lines in order to have better productivity and output. Improvements in the commercial lines were then made to guarantee the quality of clients' product. In addition, the introduction of conveyors facilitated the work and made the process more price competitive.

- FDC successfully finished the processing of flaxseeds to obtain clarified oil for McElroy Seed Farms. In November 2005, the flax was processed at FDC to see the feasibility with the current cold press. Due to the success, the flax was centrifuged. The client had the cold press at his farm for two months. The oil was sent to FDC for clarification. Unfortunately, the business relationship did not work with a company in New York that was seriously considering moving to Manitoba. The client at the present time is shipping the oil to other buyers in the U.S. The client was really satisfied with the service and help FDC provided him.

- In addition, other farmers approached FDC to obtain flax oil samples. After the completion of the task, this information was passed to the Department of Food Commercialization and Marketing for its future development as a value-added product in the market.

- Pilot plant staff actively worked with research and development on the following projects: Chicken Nuggets, Mayonnaise, Hemp Beverage, Energy Bars, Potato Hash Browns, Seabuckthorn, Jams and Smoked Elk.

- A Memorandum of Understanding for the maintenance of FDC was negotiated with Transportation and Government Services (TGS). It was concluded that the service for boilers, air compressors, RO system, refrigeration and the floor heating system will be out sourced, with TGS managing the contract. The company ATCO-Frontec from Portage la Prairie was granted the contract. Servicing of FDC operating machines will begin on April 1, 2006. In addition, TGS senior officials visited the facility to celebrate this agreement.

III.5 Hazard Analysis Critical Control Point (HACCP) Activities

- In December 2005, the FDC HACCP Coordinator completed the required documentation to apply for a Natural Health Products (NHP) site license under the new Natural Health Products Directorate (NHPD). The site license was expected in early 2006, but this did not occur due to the tremendous amount of submissions across Canada.

- The Organic Producers Association of Manitoba (OPAM) Board of Directors reviewed FDC's application and on-site inspection findings, and issued licenses to operate under OPAM Certified Canadian, American and European Standards in September 2005.

- Production continues under the OPAM regulations for organic products. All required documents are handled and signed by the HACCP Coordinator. The clients producing under organic regulations are So Healthy and Fresh Hemp Foods (Manitoba Harvest).

- Work continues with FDC staff to ensure requirements under registrations and licenses are met. A continual review of the HACCP system is necessary to ensure that the program is implemented as written and is effective.

- HACCP fee-for-service services were provided to clients to assist and write HACCP plans.

- The CFIA HACCP Recognition Audit occurred from August 31 to September 9, 2005. Certain programs were found acceptable and complete, while others required revisions. Additional audit dates were scheduled in October for further review.

III.6 Marketing Activities

The addition of the Marketing Coordinator has allowed the Business Development Manager to substantially reduce outstanding vacation time in the month of January. February and March saw rigorous activities in the department as the 2006/2007 Business Plan was drafted and revised. The Business Plan identified a review of FDC's business model and the department will be leading the process. The department participated in the business continuity planning process of MAFRI. We also participated in further discussions and preparations for the Alliance of Food Technology Centres across Canada.

A new design for the highway billboard was commissioned.

Marketing and Educational Services Plans

FDC'S 2005/2006 Marketing Plan is a comprehensive and vigorous strategy to promote and develop Manitoba's agri-food industry through the heightened visibility of FDC and its new capabilities. This plan has four key components. The following summarizes the activities to date for each of these:

1. ***Traditional grassroots marketing, with an increased emphasis on southern and western Manitoba***

   - Presentations to and discussions with flax producers, the Northern Forest Diversification Centre, and meat industry stakeholders have occurred.
   - FDC is creating a shortlist of the commodities that have the greatest potential for adding value in Manitoba. One such commodity in focus is bison where FDC is currently working with the producer groups to develop products that will be attractive to domestic and international markets.
   - FDC implemented to more effectively coordinate marketing activities with research and development activities.
   - FDC diversified its utilization of communications media. It now promotes agricultural value-added activities on CFRY radio in Portage la Prairie and CKLQ radio in Brandon.
   - FDC maximized website coverage by featuring ongoing events, changes and new technical developments.
   - A presentation was given at the Arrowhead Broken River Ag Conference in Beausejour. Another presentation and discussion took place at Chaboille (St. Malo region) Community Development Corporation.

2. ***Marketing of specific technology and equipment***

   - A new brochure is being developed that will allow the flexibility of technology specific inserts.
   - FDC has increased discussions with the University of Manitoba, Department of Human Nutritional Sciences.
   - FDC is a working partner in the new MFPA-MAFRI Steering Committee and is represented by MAFRI in a committee to coordinate marketing. FDC's technical staff is also exploring areas for joint collaboration on projects.
   - FDC has a representative on the MAFRI Communications Steering Committee.
   - FDC has a representative on the Rural Forum Committee.
   - FDC has established a GO Team Education Program.
   - The department coordinated a site visit to Winnipeg Old Country Sausage. Discussions included the various services that FDC can now offer to the meat industry.

3. *Introduction of commercial marketing*

- In early July, FDC, MAFRI and Culture, Heritage and Tourism hosted a German TV crew while they prepared a television documentary on Manitoba foods and food processing. This documentary was aired in Europe in December and focuses on FDC, Manitoba industry, producer groups and what the TV group terms as Manitoba "good earth" type products, i.e. naturally raised bison, wild rice, saskatoons and honey.
- FDC has increased its on-site visits to existing commercial processors, including Toledo Meats, Bothwell Cheese and Kuipers Family Bakery. These visits have resulted in new client opportunities and new FDC projects.
- FDC is part of a team that is examining the feasibility of constructing a food processing incubator in Manitoba. Located at FDC, this incubator will offer small processing bays to clients that need commercialized equipment and space, but are not yet able to invest in their building and infrastructure. The new concept is called a Manitoba Industrial Food Mall. A similar facility is being constructed in Leduc, Alberta.

4. *Educational services*

Some of the higher profile tours and meetings include the following:

- Richardson Centre for Functional Foods and Nutraceuticals
- Community Futures Development Corporation
- Heartland Community Futures Group
- Sunbelt Development Corporation
- Central Plains Economic Development Corporation
- GO Team Managers and GO Teams (Virden, Pembina, Selkirk)
- Farm Credit Corporation
- British Canadian Importers
- Gerard Jennison, MLA, Flin Flon
- Chief Nelson, Uchendeu, Nigeria
- Delegations from Nigeria and the Philippines
- J.O. Simms Company, England
- Japan Buffalo Club
- Old Country Sausage
- Kroeker Farms
- M. Ng (Food & Beverage Asia)
- MRAC Board
- Winnipeg high schools
- Mexican delegation from Jalisco
- Russian delegation from Chuvasia
- TD Canada Trust
- Bayer Crop Sciences
- Trade Commissioner to Thailand, accompanied by International Development Officers for Asia Pacific from Ottawa

- Chinese journalists
- Debra Woodgate and Geoff Bowden, Minister and Deputy Minister of Transportation and Government Services

IV. Financial Analysis

IV.1 Summary Operating Results

FDC had a ($318.0) loss in this quarter mainly as a result of expenses related to building costs, maintenance, and subsequent recoveries through its operating agreement with GPAP, which have not been collected. Together with this, fee-for-service revenue has not been generated to the projected levels due to delays in start-up of large projects.

Revenue	**$3,800.0**
Expenses	
Salaries	1,379.0
Operating	2,739.0
Net Income (loss)	**($318.0)**

IV.2 Balance Sheet

Due from Province of Manitoba – $1,373.0 is an additional grant contribution for building infrastructure expenditures incurred and GPAP expenditures paid by FDC, but not recovered in the fiscal year just ended.

Accounts Receivable – includes lease revenue and cost recoveries from GPAP net of a bad debt allowance for GPAP (Note 3 of Financial Statements).

Building in Progress – have been transferred to Fixed Assets as the building is now operational.

V. FINANCIAL STATEMENTS

FOOD DEVELOPMENT CENTRE

Financial Statements

(In Thousands)

Year Ended March 31, 2006

FOOD DEVELOPMENT CENTRE

Index to Financial Statements

Year Ended March 31, 2006

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E X G

THE EXCHANGE

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Food Development Centre, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2006 and the statements of loss and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
July 11, 2006

FOOD DEVELOPMENT CENTRE

Balance Sheet

(In Thousands)

March 31, 2006

	2006	[illegible]
ASSETS		
CURRENT		
Cash and short-term deposits	$ 278	$ [illegible]
Accounts receivable (Note 3)	84	[illegible]
Due from Province of Manitoba	1,373	
Prepaid expenses and deposits	76	[illegible]
	1,811	[illegible]
PLANT AND EQUIPMENT (Note 4)	8,571	[illegible]
BUILDING IN PROGRESS	–	[illegible]
DEPOSIT IN JOINT VENTURE (Note 5)	200	[illegible]
FUNDS HELD ON DEPOSIT (Note 6)	30	[illegible]
SEVERANCE RECEIVABLE FROM PROVINCE OF MANITOBA (Note 7, 12)	41	[illegible]
	$ 10,653	$ [illegible]
LIABILITIES		
CURRENT		
Unearned revenue (Note 2)	$ 284	$ [illegible]
Working capital payable (Note 9)	332	
Accounts payable and accrued liabilities (Note 9)	389	[illegible]
Accrued vacation pay (Note 10)	173	[illegible]
Current portion of long-term debt (Note 11)	18	[illegible]
	1,116	[illegible]
LONG-TERM DEBT (Note 11)	195	[illegible]
SEVERANCE LIABILITY (Note 12)	78	[illegible]
DEFERRED CAPITAL CONTRIBUTIONS (Note 2, 13)	9,275	[illegible]
	10,664	[illegible]
EQUITY		
Retained earnings (deficit)	(11)	[illegible]
	$ 10,653	$ [illegible]

COMMITMENTS (Note 15)

FOOD DEVELOPMENT CENTRE

Statement of Loss and Deficit

(In Thousands)

Year Ended March 31, 2006

	2006	2005
REVENUE		
Grants - Province of Manitoba	$ 2,427	$ [illegible]
Fee for service	368	[illegible]
Lease income	416	[illegible]
Interest and other income	35	[illegible]
Amortization of deferred capital contributions (Note 11)	554	[illegible]
	3,800	[illegible]
DIRECT OPERATING EXPENSES		
Lab supplies	106	[illegible]
Purchased services	154	[illegible]
Travel	64	[illegible]
Salaries and benefits	1,379	[illegible]
Postage, courier and telephone	71	[illegible]
Printing and stationery	13	[illegible]
Marketing	77	[illegible]
Library	26	[illegible]
Satellite office	7	[illegible]
	1,897	[illegible]
GROSS PROFIT	1,903	[illegible]
ADMINISTRATIVE EXPENSES (Schedule 1)	2,221	[illegible]
INCOME (LOSS) FROM OPERATIONS	(318)	[illegible]
OTHER INCOME	-	[illegible]
NET LOSS	(318)	
RETAINED EARNINGS - BEGINNING OF YEAR	307	[illegible]
RETAINED EARNINGS (DEFICIT) - END OF YEAR	$ (11)	$ [illegible]

FOOD DEVELOPMENT CENTRE

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2006

	2006	2005
OPERATING ACTIVITIES		
Cash receipts from customers	$ (1,428)	$ 145
Cash receipts from grants	2,427	1,934
Cash paid to suppliers and employees	(2,415)	(2,360)
Interest paid	(181)	(171)
Interest received	35	1
Cash flow used by operating activities	(1,562)	(451)
INVESTING ACTIVITIES		
Purchase of plant and equipment	(504)	(3,870)
Deposit in joint venture	–	(700)
Cash flow used by investing activities	(504)	(4,570)
FINANCING ACTIVITIES		
Deferred capital contributions	1,568	5,006
Repayment of long-term debt	(18)	(18)
Cash flow from financing activities	1,550	4,988
INCREASE (DECREASE) IN CASH	(516)	67
CASH (DEFICIENCY) - BEGINNING OF YEAR	462	(395)
CASH (DEFICIENCY) - END OF YEAR	$ (54)	$ 462
CASH (DEFICIENCY) CONSISTS OF:		
Cash	$ 278	$ 462
Working capital payable	(332)	
	$ (54)	$ 462

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2006

1. NATURE OF ORGANIZATION

Established in 1977, as part of the Manitoba Research Council, the Food Development Centre (the "Centre") serves the agri-food industry by providing a wide range of services in the food, feed and beverage industries. The Centre offers food product development research, testing services and assistance with technology transfer to enable industry to efficiently and economically produce high quality foods.

Effective April 1, 1996, the Centre was designated as a Special Operating Agency by regulation under The Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

The Centre is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for, and resulting from Centre operations. It finances the Centre through repayable loans and working capital advances. The financial framework enables the Centre to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Rural Development, being the Minister responsible for the Agency at that time, assigns responsibility to the Centre to manage and account for the Centre related assets and operations on behalf of the Financing Authority.

The Centre is a part of the Department of Agriculture, Food and Rural Initiatives under the general direction of a General Manager and a Chief Executive Officer, and ultimately the policy direction of the Deputy Minister and Minister.

The Centre remains bound by relevant legislation and regulations.

The Centre is economically dependent upon the Province of Manitoba, as it derives a significant portion of its revenue from the Province. The transactions with the Province of Manitoba are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

Plant and Equipment

Equipment assumed as part of the conversion to a Special Operating Agency, April 1, 1996 is stated at its estimated fair value as determined by the Province of Manitoba. Plant and equipment are stated at cost less accumulated amortization. Plant and equipment are amortized over their estimated useful lives at the following rates and methods:

Buildings	15 years	straight-line method
Equipment and sign - expansion project	15 years	straight-line method
Equipment and sign	20%	declining balance method
Computer hardware and software	5 years	straight-line method

(continued)

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2006

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Assets

Research and development costs are expended as incurred.

Unearned revenue

Unearned revenue represents cash received for projects that were started but not completed by year end.

Revenue Recognition

Fee for service revenue is recognized on the percentage of completion basis and when collection is reasonably assured.

Lease income is recognized as revenue according to the terms of the lease.

All funds received and due from the Province of Manitoba at year end have been recognized as income in the current year.

Funds received from the Province of Manitoba and the Government of Canada for the construction of the new building and purchase of equipment have been treated as deferred capital contributions and will be taken into income to match the amortization of the building and equipment.

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3. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2006	2005
Trade accounts receivable	$ 1,121	$ 1,113
Allowance for doubtful accounts	(1,037)	(1,036)
Other	-	8
	$ 84	$ 85

FOOD DEVELOPMENT CENTRE

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2006

4. PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2006 Net book value	2005 Net book value
Equipment and sign	$ 3,465	$ 716	**$ 2,749**	$ 2,473
Computer hardware and software	81	65	**16**	25
Building	6,220	414	**5,806**	
	$ 9,766	$ 1,195	**$ 8,571**	$ 2,498

Included in the prior year's number for equipment and sign was equipment with a net book value of $916 which was not operational at year-end. For the year ended March 31, 2006, it is now operational.

5. DEPOSIT IN JOINT VENTURE

During the previous year, the Centre contributed $200 towards the purchase of a piece of equipment for Great Plains Aseptic Processors Ltd. To date, no formal agreement has been finalized as to the revenue sharing arrangement from this piece of equipment.

6. FUNDS HELD ON DEPOSIT

Effective April 1, 2000, the assets and liabilities of the analytical services division were sold to Norwest Soil Research Ltd. The Centre has received a $25 deposit from Norwest Soil Research Ltd. as part of the sales agreement. Under the agreement, Norwest must maintain certain levels of revenue from work performed in the Province of Manitoba for the cumulative period of five years from the effective date of the agreement. If they fail to meet these conditions, the deposit and accrued interest are forfeited to the Food Development Centre.

Subsequent to the end of the year, it was determined that all conditions had been met. Consequently, the deposit and accrued interest were refunded to Norwest Soil Research Ltd.

7. SEVERANCE RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for severance pay benefits earned by the employees of the Centre to March 31, 1998. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Centre.

8. WORKING CAPITAL PAYABLE

The Centre has an authorized line of working capital from the Province of Manitoba of $1,000 of which $542 was used as at March 31, 2006 (2005 - $NIL was used).

9 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2006	2005
Trade	$ 243	$ 146
Payroll	-	40
Professional fees	-	4
Interest	154	147
Building	-	147
Sales tax	(8)	3
Miscellaneous	-	6
	$ 389	$ 483

10 ACCRUED VACATION PAY

The employees of the Centre are entitled to vacation pay in the current year based on the prior year's employment. A provision for this liability has been recorded in the financial statements.

11 LONG TERM DEBT

	2006	2005
Province of Manitoba loan bearing interest at 5.80% per annum with annual principal payments of $18 plus interest. The loan matures on April 30, 2017.	$ 213	$ 231
Amounts payable within one year	(18)	(18)
	$ 195	$ 213

Principal repayment terms are approximately:

2007	$ 18
2008	18
2009	18
2010	18
2011	18

12 SEVERANCE LIABILITY

Effective April 1, 1998, the Centre commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of twenty three years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Centre. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Centre's employees to March 31, 1998. That responsibility is reflected by a $41 receivable from the Province of Manitoba.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Centre's actuarial determined net liability for accounting purposes as at March 31, 2006 was $78 (2005 – $69). Commencing in the 2006 fiscal year the actuarial gain of $14 is being amortized over the 15 year expected average remaining service life of the employee group.

13 DEFERRED CAPITAL CONTRIBUTIONS

	2006	2005
Balance, beginning of year	$ 8,261	$ 5,367
Add: Contributions received		
Province of Manitoba	873	2,381
Government of Canada	695	2,625
Less: Amount amortized as revenue	(554)	(112)
Balance, end of year	$ 9,275	$ 8,261

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of equipment and construction of a building. The amortization of contributions is recorded as revenue in the statement of loss and retained earnings.

The Centre received a loan from the Province of Manitoba for $2,625 bearing interest at 5.63% per annum with annual payments of $175 plus interest. The loan matures on May 18, 2019. The loan is to be repaid through future appropriations from the Province of Manitoba and therefore has been treated as a grant and recorded as deferred capital contributions to be consistent with the accounting presentation adopted by the Province of Manitoba.

As the future principal and interest payments will be funded by the Province of Manitoba, the annual principal repayment will be netted against the grant revenue received and the interest payment will be reflected as interest expense. The deferred capital contributions will be brought into income at the same rate as the corresponding building is being amortized.

14 DEFICIENCY IN ASSETS

The Special Operating Agencies Financing Authority and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer, from the Provincial Government to the Financing Authority, of the net assets required for the continuing operations of the Centre. As at April 1, 1996, the date of transfer, the liabilities assumed exceeded the value of the assets in the amount of $35. This amount was recorded as the deficit at April 1, 1996.

15 COMMITMENTS

The Centre is obligated to make payments to Workers Compensation for an employee currently on disability. The total financial impact on the Centre is not determinable since the length of time the payments will be required is unknown.

At March 31, 2006, the Centre has a remaining project budget of $2,100 towards the purchase of equipment for the expansion.

16 PUBLIC SECTOR COMPENSATION DISCLOSURE

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The following employees received compensation in excess of $50:

	2006	2005
Ukoh, Alphonsus - Process and Product Development Manager	$ 86	$ 83
Scott, Pat - General Manager	90	88
Lowe, Linda - Librarian II Consultant	-	53
Qi, Jiacheng - Process Development Engineer	62	54
Schmulgen, Markus - Marketing Manager	77	72
Nivet, Meeling - Product Development Team Leader	62	57
Appah, Paulyn - Process Development Consultant	53	
Brodie, Ron - Marketing Coordinator	50	
Dean, Sabrina - Hazard Analysis Critical Control Point Regulatory Affairs Coordinator	55	
Gherasim, Gord - Pilot Plant Supervisor	50	
Hemiset, Mana - Product Development Consultant	50	
Plaumich, Javier - Manager - Pilot Plant and Commercial Activities	70	

17 PENSION BENEFIT

In accordance with the provisions of The Civil Service Superannuation Act, employees of the Centre are eligible for pension benefits under the Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires the Centre to contribute an amount equal to the employee's contribution to the Fund for current services. The amount contributed and expensed by the Centre in the current year was $71 (2005 - $68).

The Centre has no further liability associated with the annual cost of pension benefits earned by the Centre's employees.

18. FINANCIAL INSTRUMENTS

The Centre's financial instruments consist of cash, accounts receivable, funds held on deposit, severance receivable, working capital payable, accounts payable and accrued liabilities, accrued vacation payable, unearned revenue, long-term debt, and severance liability. Unless otherwise noted, it is management's opinion that the Centre is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

FOOD DEVELOPMENT CENTRE

Administrative Expenses

(Schedule 1)

Year Ended March 31, 2006

	2006	2005
Accreditation and licensing fees	$ 7	$ 1
Advisory committee fees	1	1
Amortization	637	160
Bad debts	975	7
Computer expenses	71	97
Equipment rentals	51	71
Insurance	40	52
Interest and bank charges	1	7
Interest on long term debt	181	142
Memberships	7	6
Occupancy expenses	409	218
Professional fees	14	35
Property taxes	102	
Rental	2	
Repairs and maintenance	80	55
Research and development	19	
Staff relocation	9	
Training	19	8
Expense recoveries	(404)	-
	$ 2,221	$ 787

VI. Performance Measurements

FDC is proud to report the following success against its 2005/2006 performance measurement targets.

VI.1 2005/2006 Achievements for FDC

- *Annual Milestone* – Visits to 25 food processing companies and economic development agencies

  Actual to Date – 19 companies

Commodity Type	Company Location	Company Size	Purpose for Visit
Grains & Oilseeds	Winnipeg	< 50 employees	Develop relationship for project expansion.
Grains & Oilseeds	Winnipeg	< 20 employees	Develop relationship for potential project.
Grains & Oilseeds	Portage la Prairie	< 10 employees	Discuss details on project work outline.
Dairy	New Bothwell	< 20 employees	Discuss new project opportunities.
Grains & Oilseeds	Minnedosa	< 50 employees	Wheat-based ethanol processing co-products utilization.
Grains & Oilseeds	Lanigan, SK	< 50 employees	Wheat-based ethanol processing co-products utilization.
Grains & Oilseeds	Red Deer, AB	< 50 employees	Wheat-based ethanol processing co-products utilization.
Research & Development	Saskatoon, SK	< 50 employees	Wheat-based ethanol processing co-products utilization.
Research & Development	Winnipeg	< 10 employees	Discuss new project opportunities.
Meats	Winnipeg	< 50 employees	Discuss equipment and product development.
Meats	Winnipeg	< 50 employees	Presentation on FDC's services.
Meats	Winnipeg	< 20 employees	Development of project outline.
Meats	Winnipeg	< 50 employees	To expand FDC's knowledge in the meat industry.

Meats	Winnipeg	< 50 employees	To expand FDC's knowledge in the meat industry.
Meats	Winnipeg	< 50 employees	To expand FDC's knowledge in the meat industry.
Meats	Winnipeg	< 10 employees	Presentation of FDC's meat suite and services.
Vegetables	Winnipeg	< 25 employees	Discuss new project opportunities.
Equipment	Winnipeg	< 10 employees	Source equipment for project.
Equipment	Winnipeg	< 10 employees	Source equipment for project.

- *Annual Milestone* – Generation of 40 new client relationships

  Actual to Date – 41 client relationships

Commodity Type	**Company Location**	**Company Size**
Grains & Oilseeds	Portage la Prairie	< 30 employees
Grains & Oilseeds	Portage la Prairie	< 50 employees
Vegetables & Fruits	Minnedosa	< 5 employees
Meats	Winnipeg	< 5 employees
Meats	Winnipeg	< 10 employees
Vegetables & Fruits	Portage la Prairie	< 20 employees
Grains & Oilseeds	Winnipeg	< 10 employees
Honey	Winnipeg	< 5 employees
Grains & Oilseeds	Winnipeg	< 5 employees
Vegetables & Fruits	Winnipeg	< 10 employees
Grains & Oilseeds	Winnipeg	< 30 employees
Meats	Toronto	< 10 employees
Meats	Winnipeg	< 5 employees
Vegetables & Fruits	Winnipeg	< 5 employees
Grains & Oilseeds	Winnipeg	< 10 employees
Vegetables & Fruits	Winnipeg	< 5 employees
Vegetables & Fruits	Winnipeg	< 5 employees
Grains & Oilseeds	Portage la Prairie	< 20 employees
Vegetables & Fruits	Winnipeg	< 25 employees

Grains & Oilseeds	Winnipeg	< 10 employees
Grains & Oilseeds	Winnipeg	< 5 employees
Grains & Oilseeds	Winnipeg	< 5 employees
Vegetables & Fruits	Winnipeg	< 10 employees
Vegetables & Fruits	Winnipeg	< 5 employees
Grains & Oilseeds	Winnipeg	< 10 employees
Vegetables & Fruits	Winnipeg	< 20 employees
Vegetables & Fruits	Winnipeg	< 5 employees
Meats	Winnipeg	< 10 employees
Meats	Winnipeg	< 10 employees
Meats	Winnipeg	< 20 employees
Meats	Winnipeg	< 10 employees
Meats	Winnipeg	< 50 employees
Grains & Oilseeds	Winnipeg	< 20 employees
Meats	Winnipeg / South Africa	< 50 employees
Grains & Oilseeds	Winnipeg	< 5 employees
Vegetables & Fruits	Winnipeg	< 5 employees
Grains & Oilseeds	Winnipeg	< 10 employees
Vegetables & Fruits	Winnipeg	< 20 employees
Vegetables & Fruits	Winnipeg	< 5 employees
Grains & Oilseeds	Winnipeg	< 5 employees
Equipment	Winnipeg	< 10 employees

- *Annual Milestone* – Promotion of FDC activities to rural communities and industry at industry events

  Actual to Date – 30 communities and events

  - Rural Forum Conference in Brandon, April 2005
  - Visit to Naleway Foods (view new product lines and troubleshoot production parameters)
  - Portage Home Show
  - Tour of Toledo Meats
  - Tour of Bothwell Cheese
  - Grand Opening of Food Development Centre
  - Tour of Kuipers Family Bakery
  - Tour of two small town meat processors
  - MRAC Annual General Meeting
  - MFPA Annual General Meeting

- Host to German television crew for a natural base documentary in Manitoba; tours to The Pas, Teulon, Petersfield and Clandaboy
- Swan River Summer Fair and Rodeo Days
- Toured and presented at the Manitoba Community Futures Development Corporations Annual Meeting
- Presentation of FDC services to Livestock Knowledge Centre
- Nellie McLung High School Workshop
- Training on scale-up development of fruit leather to Northern Forest Diversification Centre
- Manitoba Lifestyles Expo
- Participant in Ag Days workshops and FDC's display
- Industry visit to Winnipeg Old Country Sausage
- Industry visit to Smith's Corned Beef
- Tour at FDC for TGS/MAFRI Directors
- Participant of MAFRI Commercialization on Pathways to Marketing
- Display of FDC at University of Manitoba Human Ecology Career Day
- Mentoring of students for the Biotech College
- Participant of National Starch's Ingredient Supplier Presentation
- Industry visit to Miller's Meats
- Presentation of FDC meat suite and services to Manitoba Pork Council at AGM
- Participant at Direct Marketing Workshop
- Participant in "The Designing and Marketing Foods to Boomers" Symposium held in Mississauga, Ontario
- Participant in the activities of North America Buckwheat Promotion Committee

➢ *Annual Milestone* – Implementation of commercially focused component of FDC's marketing activities

Actual to Date – FDC has been working with new and potential clients to develop avenues to increase utilization of its pilot plant equipment. FDC is also working as part of a team to bring new processing opportunities to Manitoba and will expand these efforts within MAFRI.

➢ *Annual Milestone* – Development of a multi-year plan to provide assistance in client commercial activities.

Actual to Date – The preparation of the 2006/2007 Priorities and Strategies Overview provided a framework for this process. Actual planning has been delayed and will continue as part of the business model review in the next fiscal year.

- *Annual Milestone* – Nutritional service line of 20 products

  Actual to Date – 271 products (annual targets exceeded)

Commodity Type	Marketing Status	Company Location	Company Size
Grains & Oilseeds (1)	Commercial	Winnipeg	< 10 employees
Meats (1)	Commercial	Winnipeg	< 10 employees
Grains & Oilseeds (1)	Commercial	Winnipeg	< 10 employees
Grains & Oilseeds (1)	Commercial	Winnipeg	< 5 employees
Grains & Oilseeds (1)	Producer	Winnipeg	< 10 employees
UPC Coding (1)	Commercial	Winnipeg	< 30 employees
Grains & Oilseeds (1)	Commercial	Portage la Prairie	< 30 employees
Bakery (1)	Commercial	Winnipeg	> 10 employees
Bakery (1)	Commercial	Winnipeg	> 10 employees
Meat Entrées (1)	Product Development	Winnipeg	< 10 employees
Grains & Oilseeds (1)	Commercial	Winnipeg	< 10 employees
Grains & Oilseeds (1)	Commercial	Winnipeg	< 10 employees
Grains & Oilseeds (1)	Commercial	Winnipeg	< 10 employees
Grains & Oilseeds (1)	Commercial	Winnipeg	< 10 employees
Grains & Oilseeds (1)	Commercial	Winnipeg	< 10 employees
Meats (1)	Commercial	Winnipeg	< 10 employees
Meats (1)	Commercial	Winnipeg	< 10 employees
Vegetables & Fruits (1)	Commercial	Winnipeg	< 10 employees
Grains & Oilseeds (2)	Research & Development	Niverville	< 5 employees
Grains & Oilseeds (2)	Commercial	Winnipeg	< 5 employees
Meat (1)	Commercial	Winnipeg	< 40 employees
Grains & Oilseeds (3)	Commercial	Portage la Prairie	> 40 employees
Vegetables & Fruits (4)	Commercial	Miniota	< 5 employees
Grains & Oilseeds (4)	Commercial	Winnipeg	< 40 employees
Grains & Oilseeds (4)	Commercial	Elgin	< 10 employees
Vegetables & Fruits (4)	Research & Development	Portage la Prairie	< 10 employees
Grains & Oilseeds (7)	Commercial	Russell	< 10 employees
Grains & Oilseeds (1)	Commercial	Pinawa	< 5 employees
Grains & Oilseeds (3)	Commercial	Brandon	< 5 employees

Meat (1)	Commercial	Winkler	< 10 employees
Vegetables & Fruits (1)	Commercial	Winnipeg	< 40 employees
Grains & Oilseeds (1)	Commercial	St. Jean Baptiste	< 10 employees
Grains / Dry Pasta (15)	Commercial	Winnipeg	< 40 employees
Meat (44)	Commercial	Winnipeg	> 40 employees
Meat (27)	Commercial	Brandon	> 41 employees
Dairy (3)	Commercial	Winnipeg	< 40 employees
Meat (8)	Commercial	Winkler	< 50 employees
Meat (14)	Commercial	Altona	< 40 employees
Grains / Dry Pasta (13)	Commercial	St. Pierre	< 10 employees
Vegetables & Fruits (6)	Research & Development	Portage la Prairie	< 5 employees
Grains / Dry Pasta (3)	Commercial	Altona	< 10 employees
Grains / Dry Pasta (3)	Commercial	Winkler	< 5 employees
Gains / Dry Pasta (21)	Commercial	Winnipeg	< 40 employees
Meat (37)	Commercial	Winnipeg	> 40 employees
Meat (1)	Commercial	Winkler	< 50 employees
Vegetables & Fruits (6)	Research & Development	Portage la Prairie	< 5 employees
Vegetables & Fruits (6)	Commercial	Dauphin	< 5 employees
Grains / Dry Pasta (1)	Commercial	Rosenort	< 5 employees
Meat (7)	Commercial	McCreary	< 5 employees

- *Annual Milestone* – Development of 50 new food products

  Actual to Date – 64 new products

Product	**Utilization of New FDC Equipment**	**Marketing Status**	**Company Location**	**Company Size**
Jams & Jellies (2)	Kettles	Scale-up	Winnipeg	< 10 employees
Elk Jerky (4)	Smokehouse	Scale-up	Winnipeg	< 10 employees
Hemp Energy Bars (1)	Former	Scale-up	Winnipeg	< 30 employees
Energy Bars (2)	Former	Scale-up	Winnipeg	< 5 employees
Dog Biscuit Treats (1)	Baking oven, dehydrating oven	Scale-up	Winnipeg	< 5 employees
Salad Dressing (1)	Filler, homogenizer	Scale-up	Winnipeg	< 5 employees
Hash Brown Potatoes (1)	Blancher, shredder, kettle, scales, basket centrifuge	Scale-up	Carberry	< 10 employees

Relish (1)	Kettle	Scale-up	Winnipeg	< 5 employees
Specialty Cakes (1)	Mixer, oven	Product Development	Winnipeg	< 5 employees
Soups (4)	Sensory laboratory, laboratory pressure cooker	Sensory	Portage la Prairie	< 30 employees
Pea Fibre Products (2)	Mini oven, stuffer	Product Development	Winnipeg	< 10 employees
Cookies (1)	Mini oven	Scale-up	Winnipeg	< 10 employees
Crackers (1)	Mini oven	Product Development	Winnipeg	< 10 employees
Beverage (1)	Laboratory water bath	Product Development	Winnipeg	< 10 employees
Fruit Leather (1)	Mini oven	Scale-up	Winnipeg	< 10 employees
Specialty Cakes (3)	Mini oven	Product Development	Winnipeg	< 10 employees
Soups (3)	Sensory laboratory, pressure cooker	Product Development	Portage la Prairie	< 10 employees
Mayonnaise (1)	Shear pump	Scale-up	Winnipeg	< 10 employees
Cookies (1)	Mini oven	Commercial	Winnipeg	< 10 employees
Seabuckthorn Functional Foods (2)	Mini oven, dryer, supercritical extractor	Product Development	Portage la Prairie	< 25 employees
Functional Foods from Ethanol ddg (2)	Blender, mixer	Product Development	Portage la Prairie	< 25 employees
Battered and Breaded Nuggets (1)	Drum heater, mixer, meat cutter, breading & batter	Scale-up	Ontario	< 10 employees
Hemp Extraction and Beverage (3)	Grinder, mill	Product Development	Winnipeg	< 10 employees
Birch Sap Extraction (1)	Steam kettle	Commercial	Flin Flon	< 10 employees
Birch Sap Extraction for Wine Making (1)	RO system, kettle	Product / Process Development, Scale-up	Flin Flon	< 5 employees
Elk Burger (1)		Scale-up	Stonewall	< 10 employees
Khoa Products (2)	Existing mixers	Product Development	Winnipeg	< 20 employees
Lingonberry Beverage (1)		Product Development	The Pas	< 20 employees

Pork Hams (2)	Stuffers, injector	Product Development, Scale-up	Portage la Prairie	< 20 employees
Pork Sausages (2)	Grinder, stuffer, injector	Product Development, Scale-up	Portage la Prairie	< 20 employees
Perogy Filling (2)	Laboratory scale equipment	Product Development	Winnipeg	< 30 employees
Phytrol Energy Bars (2)	Mixer	Product Development, Scale-up	Vancouver, B.C.	< 10 employees
Seabuckthorn Extractions, Oils, Purees (6)	Supercritical extractor	Product / Process Development	Vancouver, B.C.	< 10 employees
Maple Syrup (1)	RO system, kettle	Product / Process Development	Portage la Prairie	< 5 employees
Bee Pollen Powder (1)	Colloid mill, kettle, spray dryer	Product / Process Development	MacGregor	< 10 employees
Alfalfa Juice (1)	RO system, separator, colloid mill, kettle, spray dryer	Product / Process Development	Russell	< 30 employees
Pomegranate Powder (1)	Pulper / finisher, belt press, colloid mill, kettle, spray dryer, freeze dryer	Product / Process Development, Scale-up	Saskatoon	< 5 employees

VI.2 Achievements for Manitoba

FDC's activities result in growth, development and wealth for Manitoba. The following measures this growth, or in technical language the outcome measures against FDC's 2005/2006 milestones.

- *Annual Milestone* – Creation of 50 new employment opportunities

  Actual to Date – 14 new employment opportunities

Number of Jobs	Commodity Type	Location	Company Size
1	Grains & Oilseeds	Portage la Prairie	< 5 employees
2	Vegetables & Fruits	Portage la Prairie	< 10 employees
2	Grains & Oilseeds	Winnipeg	< 10 employees
5	Research & Consulting	Portage la Prairie	< 25 employees

1	Research & Development	Portage la Prairie	< 25 employees
3	Vegetables & Fruits	Flin Flon	< 10 employees

- *Annual Milestone* – Assistance in the creation or expansion of 20 food processing companies

  Actual to Date – 12 companies

Commodity Type	Type of Assistance	Company Location	Company Size
Honey	Product Development & Commercialization	Winnipeg	< 10 employees
Grains & Oilseeds	Technical	Winnipeg	< 10 employees
Grains & Oilseeds	Consumer Study	Alberta	< 20 employees
Vegetables & Fruits	Commercialization	Winnipeg	< 10 employees
Grains & Oilseeds	Product Development	Portage la Prairie	< 20 employees
Vegetables & Fruits	Product Development & Commercialization	Winnipeg	< 5 employees
Grains & Oilseeds	Commercialization	Portage la Prairie	< 10 employees
Vegetables & Fruits	Commercialization	Morris	< 10 employees
Potato Starch	Information	Carberry	< 30 employees
On-Farm Ethanol	Information	Minto	< 30 employees
Nutraceuticals	Information	Montreal, QC	< 5 employees
Vegetables & Fruits	Commercialization	Winnipeg	< 30 employees

- *Annual Milestone* – Performance of in-plant troubleshooting for 1 food processing company

  Actual to Date – 1 company

Commodity Type	Type of Assistance	Company Location	Company Size
Vegetables & Fruits	Technical	Winnipeg	< 50 employees

- *Annual Milestone* – Structuring of strategic alliances with RCFFN, various technical centres and equipment suppliers.

  Actual to Date – Cooperative efforts between FDC, RCFFN and CCARHM are continuing. FDC is also involved in a process to provide a unified voice for all food development centres across Canada. A meeting to further solidify that relationship is being scheduled for the next quarter.